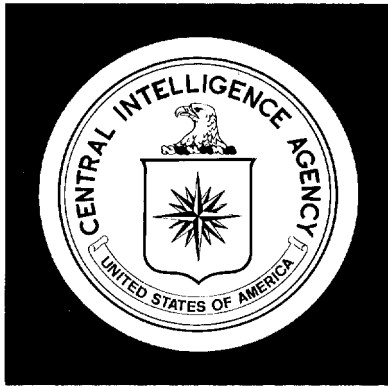


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DIRECTORATE OF  
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JORDAN-SYRIA: Syria's decision to open its border with Jordan is being viewed in much of the Middle East as implicit acceptance of Jordan's anti-fedayeen policy and as an effort by Syria to break out of its isolation.

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[ ] observers in Beirut see the border opening--coming as it does after the failure of the recent coup attempt against King Husayn--as tacit recognition by Syria that the King is in firm control and is not prepared to meet long-standing Syrian demands for concessions to the fedayeen. Similarly, an Israeli Foreign Ministry official has hailed the move as a political achievement of some note for Husayn, who has given no indication that Jordan intends to relax its restrictions on fedayeen activities.

The opinion appears widespread that Syria made its decision in an attempt to improve relations with Jordan in the face of Syria's isolation from other Arab states; Syria, observers note, called for help from Egypt and Libya during the recent fighting with Israel but received none.

Jordan will attempt to exploit the Syrian move to end its own isolation in the Arab world. Foreign Minister Abu Zayd hopes to travel to Damascus early this month to urge restoration of full diplomatic relations, and he will use the Syrian example to work for improved ties with Egypt and Kuwait. Following up on Jordanian efforts at the recent Arab foreign ministers' conference, Abu Zayd hopes to persuade Egypt to re-establish diplomatic relations broken early this year, and Kuwait to restore to Jordan the subsidy cut off after Jordan's expulsion of the fedayeen.

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The border opening has apparently caused some consternation among the fedayeen who have not yet commented on Syria's three-day-old action. The Palestinian leadership has probably been caught off balance; undoubtedly displeased with a move inimical to its interests. It will nonetheless find it difficult, and possibly costly, to criticize Syria, its strongest supporter. [REDACTED]

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USSR-HUNGARY: Soviet party leader Brezhnev strongly endorsed Hungary's Kadar and, by extension, the Hungarian economic reform (NEM) during his recent visit.

The trip, which ended on 1 December, was heavy on atmospherics, highlighted by Brezhnev's presentation of the Order of Lenin to Kadar, and replete with effusive expressions of solidarity. The absence of the discord that surfaced earlier this year in Soviet-Hungarian relations probably reflected Moscow's wish to avoid generating tensions when broader European negotiations are commencing.

The final communiqué indicated Moscow's acceptance of Hungary's different approach to some economic matters by noting that the talks "repeatedly confirmed the identity of views" on all questions discussed. It specifically referred to the Soviet side's "appreciation" for the achievements of the Hungarian party. Moscow will continue to monitor closely the NEM and its associated political changes, however; the communiqué also asserted the need for continued "reciprocal study and sharing of experiences."

The visit also occasioned a predictable show of unity on foreign policy questions. The communiqué applauded the Soviet "peace program" with which Brezhnev is identified. On this theme, it voiced strong support for the Conference on Security and Cooperation in Europe and noted that the two sides attached "great significance" to the "separate" question of a reduction of forces and armaments in Europe. The communiqué also called for continued struggle against Maoism and repeated standard positions on Indochina and the Middle East.

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Despite the emphasis on economic cooperation and the apparent resolution of some of the problems which arose last spring, issues remain that the two countries prefer to discuss in private. Hungary continues to seek long-range commitments on raw materials sources, while the Soviets continue to press for greater East European participation in extractive operations.

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AUSTRALIA: The new Labor government will maintain close ties with the US.

Prime Minister-elect Whitlam has made it clear that the ANZUS security treaty--the formal base of the US alliance--will remain the cornerstone of Australian foreign policy. Although Labor has promised an examination of the agreements permitting US military and scientific installations in Australia, it will probably determine that they fit within the framework of the US relationship. The Labor government will be more inclined to assert independent views within the alliance than was its predecessor.

The new administration will make some changes in foreign policy in line with its objections to the previous government's "forward defense" doctrine. It will probably bring home the small training contingent left in Vietnam after the withdrawal of Australian combat forces last year. Whitlam has said Australia will honor its commitments to Malaysia and Singapore under the five-power defense agreement with the UK and New Zealand, but he wants eventually to reduce the Australian military presence in Singapore and Malaysia to bilateral training and military assistance missions. Whitlam has occasionally disparaged SEATO, but he indicated in his most recent statement on the subject that Australian membership would continue.

The new government will probably carry out its campaign promise to move quickly toward diplomatic relations with Peking.

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BELGIUM: The process of forming a new government will probably be prolonged by the approach being taken by outgoing Public Works Minister de Saeger, the man charged with investigating the possibilities.

After taking soundings with government and opposition leaders, de Saeger announced that he will attempt to draft a compromise legislative package on the very issues that brought down Prime Minister Eyskens' Socialist - Social Christian coalition on 22 November. Whereas Eyskens tried to shelve some of these issues, de Saeger believes the cooperation of the parties can best be won by agreement on a legislative package that would allow the government to last out the remaining three years of the parliamentary term. Most parties probably wish such a period to allow tempers to cool, following the passage of controversial legislation, before they must face elections.

Although inter-party talks have begun, the contentiousness of the issues, and the diverse positions of party leaders, argue that de Saeger's task will be long and arduous.

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AUSTRIA-YUGOSLAVIA: Belgrade is threatening to ask the wartime allies to arbitrate the linguistic dispute affecting the Slovene minority in southern Austria.

The controversy immediately concerns bilingual city limit signs in the predominantly German-speaking province of Carinthia. The Austrian State Treaty, signed by the US, Britain, France, and the Soviet Union in 1955, prescribed such signs for the benefit of the Slovene minority. However, none were installed until last summer, when Chancellor Kreisky's Socialist government, prodded by Belgrade, finally enacted the appropriate legislation. In early October, indignant German-speakers destroyed several signs and staged rallies demanding repeal of the law. These incidents provoked a stream of accusations from Yugoslav officials, including Tito himself, that Vienna has failed to curb the activities of fascist groups.

Belgrade formally accused Vienna of neglecting its treaty obligations in a diplomatic note delivered on 8 November. Copies were apparently given to the French, British, American, and Soviet ambassadors in Belgrade shortly thereafter. On 28 November, Austrian Foreign Minister Kirschlaeger publicly acknowledged that the complaint has been brought to the attention of the four signatories of the treaty.

Austrian officials regard the dispute as purely an internal matter and are seriously concerned by Belgrade's unprecedented--though legal--threat to appeal to the signatory powers. The situation is politically uncomfortable for Kreisky, because upholding the State Treaty could cost the Socialist government in Carinthia support among the German-speakers.

Belgrade is well aware that Kreisky will not revise or repeal the law despite his fear of a backlash. Neither will he help bolster the claims of

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German extremists against the dwindling Slovene minority by calling for a new minority census. The threat to take the matter to the four powers thus seems primarily intended to keep the pressure on Kreisky. Yugoslav-Austrian relations are generally good, though Yugoslav sensitivities are periodically aroused, as they were earlier this year when Croat emigres staged a raid from Austria. Belgrade is unlikely to make more of the dispute, so long as Vienna continues to comply with the principles of the treaty.

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NOTES

LAOS: Heavy fighting in the south continued over the weekend, but neither side was able to make significant advances. In the central panhandle, government irregulars edged closer to the enemy-held town of Muong Phalane with the capture of two lightly defended villages some four miles to the southeast. Another government unit, situated along the western edge of the town, has been unable to move against a well-entrenched enemy force occupying the center of Muong Phalane. Farther south, enemy forces have maintained their hold on the northern part of Saravane town, gained a few days ago, despite continuing efforts by the government to push them back out. On the Bolovens Plateau, government irregulars made little progress in their move to re-occupy Paksong. In the north, there was no major ground action. [REDACTED]

\* \* \* \*

AUSTRIA: Faced with predictions of a ten-percent rate of inflation early next year, the national bank has imposed drastic measures to reduce excessive domestic liquidity. It increased the discount rate to the highest level since the early 1950s and raised minimum reserve requirements. To control the inflow of foreign capital, the bank imposed a licensing requirement on direct and portfolio investments by non-residents and on purchases of real estate in Austria by non-residents. The bank also imposed a licensing requirement on borrowing abroad by Austrian residents. These measures, which supplement restrictive action taken by the bank in September and by the government last month, are designed to ease price increases now running at an annual rate of seven percent. The bank's move also is part of a government attempt to gain a six-month "cooling off period" to head off excessive price increases, following the introduction of a value-added tax on 1 January 1973. [REDACTED]

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THAILAND: The small-scale Communist action against the Nakhon Phanom air base during the early morning hours of 3 December, the first against this installation, was limited to some small arms fire near the base perimeter, according to preliminary reports. There was no damage to US facilities or aircraft. The action came on the heels of the first Thai insurgent attack against a government district headquarters at Na Kae, some 30 miles to the south. There is reason to believe that the incident at Nakhon Phanom--the fifth against a US-tenanted air base in Thailand this year--was mounted by Thai insurgents rather than North Vietnamese sappers.

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[REDACTED]

[REDACTED] The recent increase in enemy activity apparently reflects a Communist desire to disrupt the government's three-battalion counterinsurgency campaign, which was launched in this insecure province on 1 December. [REDACTED]

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